

ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM



**Employer's Guide to the  
Revised  
Type 7  
Supplementary  
Downsizing  
Agreement**

October 1996

---

Working  
together  
for your  
retirement

CA20N  
TR20  
-1996  
E53



Digitized by the Internet Archive  
in 2022 with funding from  
University of Toronto

<https://archive.org/details/31761115464042>

# Table of Contents

<b>The Revised Type 7 Agreement .....</b>	<b>1</b>
Downsizing? Improve your OMERS members' pensions .....	1
Do you qualify for a Revised Type 7 agreement? .....	1
What are the Revised Type 7 Rules? .....	1
By-law/Resolution Wording .....	2
What is a "class" of members? .....	3
Who pays for the improved pension? .....	3
Duration / Changes / Deadline .....	3
Differences between the "new" and "old" Type 7 .....	4
Want to request an agreement? .....	4
Need more information? .....	4
<b>Revised Type 7 Benefits .....</b>	<b>5</b>
A. Unreduced early retirement pension from age 60 .....	5
B. Unreduced early retirement pension from an 80 Factor .....	6
C. Improved reduced early retirement pension .....	7
D. Early retirement within 15 years of NRA (NRA 65 only) .....	9
<b>Forms</b>	
Request for a Revised Type 7 Qualifying List, Cost and/or Pension Estimate .....	11
Request for a Revised Type 7 Supplementary Downsizing Agreement .....	13





# The Revised Type 7 Agreement

## Downsizing? Improve your OMERS members' pensions

If your organization is downsizing, an OMERS Revised Type 7 Supplementary Downsizing Agreement can help.

You can enter into a Revised Type 7 agreement with OMERS when you are downsizing. It allows you to offer earlier and/or improved pensions to your OMERS members who retire under the agreement. Under a Revised Type 7 agreement you may be able to offer one or more of these benefits:

- ▶ unreduced pensions to members who have reached at least age 60,
- ▶ unreduced pensions to members who are within 10 years of their normal retirement age (may be combined with "early retirement within 15 years of NRA" option) and have age and qualifying service totalling at least 80 or more,
- ▶ more generous reduced pensions to those who don't qualify for unreduced pensions, or
- ▶ early retirement to members who are up to 15 years away from their normal retirement age (NRA 65 only).

You'll find details, and examples, of these four options beginning on page 5.

## Do you qualify for a Revised Type 7 agreement?

You must have a downsizing programme in place, set up under a by-law or resolution, to qualify for a Revised Type 7 agreement. The downsizing programme must meet these criteria:

- ▶ it was introduced as a result of financial pressures or constraints;
- ▶ it aims to reduce the financial obligations of the employer by reducing the number of employees or the number of hours worked by employees;
- ▶ it includes early retirement guidelines and a restructuring plan setting out the manner in which the employer intends to carry out the downsizing.

You will also need an authorizing by-law or resolution to set up a Revised Type 7 agreement. The exact wording we need in this by-law or resolution is on the next page.

## What are the Revised Type 7 rules?

- ▶ You must offer the Revised Type 7 benefits you've chosen to a class or classes of OMERS members, not to individuals. If you want to improve a single member's pension, ask us about Section 23 of the OMERS Regulation.

# By-law/Resolution Wording

[BY-LAW #/RESOLUTION DATED]

being a [By-law/Resolution] to authorize Revised Supplementary Downsizing Benefits under the Ontario Municipal Employees Retirement System ("System")

WHEREAS by [By-law #/Resolution Dated ], the [Name of Employer] (the "Employer") has elected to participate in the Ontario Municipal Employees Retirement System;

AND WHEREAS pursuant to the **Supplementary Benefits** provisions of the Regulation made under the Ontario Municipal Employees Retirement System Act, R.S.O. 1990, c. 0.29, as amended, an employer who has elected to participate in the System may enter into an agreement with the Ontario Municipal Employees Retirement Board for the payment of Supplementary Downsizing Benefits in respect of all or any class of employees and/or councillors who are members of the System;

AND WHEREAS the [Name of Employer]:

has approved, by [by-law/resolution], a downsizing programme that meets the following requirements:

1. It was introduced as a result of financial pressures or constraints;
2. It aims to reduce the financial obligations of the employer by reducing the number of employees or the number of hours worked by employees; and
3. It includes early retirement guidelines and a restructuring plan setting out the manner in which the employer intends to carry out the downsizing;

it is hereby enacted that:

1. The [Position of Officer] and the [Position of Officer] are hereby authorized on behalf of the [Name of Employer] to enter into a Revised Supplementary Downsizing Agreement in the form attached hereto with the Ontario Municipal Employees Retirement Board for the payment of the Supplementary Benefits provided in the Revised Supplementary Downsizing Plan set forth as Schedule 1 to the Revised Supplementary Downsizing Agreement;
2. The [Position of Officer] is hereby authorized to do such things as are necessary under the Revised Supplementary Downsizing Agreement and to carry out the intent of the [By-law/Resolution];
3. A certified copy of this [By-law/Resolution] shall be filed with the President of the Ontario Municipal Employees Retirement Board;
4. This [By-law/Resolution] shall come into force on the day of its passing.

Enacted and Passed this \_\_\_\_ day of \_\_\_\_\_, 19\_\_.

(SEAL)

---

[Position of Officer]

---

[Position of Officer]



- Once you have covered a class of members, you must offer the Revised Type 7 benefits you've chosen to all members within the class – not just those affected by your downsizing.
- Members who take an improved pension must retire while your agreement is in effect and begin receiving their pension immediately.

**IMPORTANT!**

- Members who retire with a Revised Type 7 benefit and later return to **any** work with **any** OMERS employer, will **immediately** and **permanently** lose the Revised Type 7 portion of their pensions.

## What is a “class” of members?

A class of OMERS members can be a bargaining unit, or any other group of members that is not discriminatory, or arbitrarily chosen. For example, a member class could be “department heads,” “all non-union,” or “secretarial/clerical.”

## Who pays for the improved pension?

You, the employer, pay for the improved pension. The cost is the present value of the pension improvement, as calculated by our actuary. You can pay us in a lump sum, or make monthly payments for up to 15 years (180 months). If you choose to make monthly payments, you must also pay the interest cost.

If a member loses his or her pension improvement by working for an OMERS employer in the future, you're still responsible for paying the full amount of the improvement. We won't make refunds, and any monthly payments must continue until the full balance is paid.

Want to know the **estimated** cost in advance? We can tell you which members are eligible for an improved pension and provide cost estimates, based on information on our records, for each one. Please complete the cost estimate request form you'll find at the back of this booklet and return it to the OMERS Benefits Department. We will calculate the actual cost of Revised Type 7 benefits you provide when we receive your members' Form 143s.

## Duration / Changes / Deadline

Each Revised Type 7 agreement can last up to one year. If an agreement effective date is March 31, 1999, all retirements under the agreement must take place by March 30, 2000.

You can change or cancel a Revised Type 7 agreement at any time while it's in effect. You may also enter into more than one agreement.

The last possible effective date for a Revised Type 7 agreement is **March 31, 1999**.

## Differences between the “new” and “old” Type 7

	“New” Revised Type 7	“Old” Social Contract Type 7
Cost paid by...	Employer	OMERS
NRA 60-specific benefits	None	<ul style="list-style-type: none"> <li>• 75 Factor</li> <li>• Retire as early as age 45</li> </ul>
Re-employment with OMERS employer	Member loses Revised Type 7 benefit when <b>hired</b>	Member may lose Type 7 benefit on <b>re-enrolment</b>
Agreement duration	One year	Two years
Last possible date to enter into agreement	March 31, 1999	March 31, 1995

### Want to request an agreement?

First, you’ll need to have a downsizing programme in place – set up under a by-law or resolution. Then, complete the request for a Revised Type 7 agreement form you’ll find at the back of this booklet and return it to the OMERS Benefits Department. We’ll take you through the steps from there.

Before your agreement can be finalized, you’ll need to pass a Revised Type 7 agreement by-law or resolution identical to the one on page 2.

**IMPORTANT!** ..... Please don’t pass the authorizing by-law or resolution until you have received your Revised Type 7 agreement from OMERS.

### Need more information?

This booklet is just a summary of the Revised Type 7 agreement and benefits. For more information, or if you have any questions, just call OMERS Client Services at (416) 369-2444 or 1-800-387-0813 (toll-free).



## Revised Type 7 Benefits

**IMPORTANT!** You may choose to offer one or more of the following benefits under each Revised Type 7 agreement.

### A. Unreduced early retirement pension from age 60

OMERS can pay an unreduced early retirement pension to a member who is 60 years of age or over. The Revised Type 7 benefit tops up the member's pension. See the following example.

#### EXAMPLE – NRA 65

George is 60 years old with 17 years of credited service. He retires using the “unreduced early retirement pension from age 60” Revised Type 7 benefit which, in his case, equals \$3,612.50 per year, indexed. This is the difference between his basic plan reduced pension and his Revised Type 7 unreduced pension.

The employer's **estimated** cost for this Revised Type 7 benefit would be \$52,872.55 (cost in effect at time of printing, subject to change).

---

Here's how it works...	George's Age:	60
	Credited Service:	17
	Eligible Service:	<u>0</u>
	90 Factor Total:	77

Because George hasn't reached the 90 Factor and doesn't have 30 years of service, we would **normally** reduce his early retirement pension by the lesser of:

NRA 65	–	60	=	5	X	5%	=	25% reduction
								or
90 Factor	–	77	=	13	X	5%	=	65% reduction (note: maximum is 50%)
								or
30 Year Provision	–	17	=	13	X	5%	=	65% reduction (note: maximum is 50%)

We would **normally** reduce George's early retirement pension by 25%.

George's pensionable earnings are \$42,500.00. His early retirement pension calculation prior to age 65 (the age at which we normally apply the OMERS CPP offset) would be:

2%	X	\$42,500	X	17	=	\$14,450.00
reduced by 25%					=	– \$ 3,612.50

George's pension payable until age 65:

<b>Without Revised Type 7 (reduced)</b>	=	\$10,837.50
<b>With Revised Type 7 (unreduced)</b>	=	<b>\$14,450.00</b>

---

## B. Unreduced early retirement pension from an 80 Factor

OMERS can pay an unreduced early retirement pension to a member whose age plus qualifying service equals **at least** 80 (i.e. 80, 81, 82, etc.). This benefit may be available to some members as early as age 50 if you also offer option "D," early retirement within 15 years of NRA (for NRA 65 members only). The Revised Type 7 benefit tops up the member's pension. See the following example.

### EXAMPLE – NRA 65

Di is 59 years old with 15 years of credited service and 6 years of eligible service. She retires using the "unreduced early retirement pension from an 80 Factor" Revised Type 7 benefit which, in her case, equals \$3,240.00 per year, indexed. This is the difference between her basic plan reduced pension and her Revised Type 7 unreduced pension.

The employer's **estimated** cost for this Revised Type 7 benefit would be \$48,296.09 (cost in effect at time of printing, subject to change).

Here's how it works...	Di's Age:	59
	Credited Service:	15
	Eligible Service:	6
	90 Factor Total:	80

Because Di hasn't reached the 90 Factor and doesn't have 30 years of service, we would **normally** reduce her early retirement pension by the lesser of:

NRA 65	– 59 = 6	X 5% = 30% reduction
		or
90 Factor	– 80 = 10	X 5% = 50% reduction
		or
30 Year Provision	– 21 = 9	X 5% = 45% reduction

We would **normally** reduce Di's early retirement pension by 30%.

Di's pensionable earnings are \$36,000.00. Her early retirement pension calculation prior to age 65 (the age at which we normally apply the OMERS CPP offset) would be:

2%	X	\$36,000	X	15	=	\$10,800.00
reduced by 30%					=	– \$ 3,240.00

Di's pension payable until age 65:

Without Revised Type 7 (reduced)	=	\$ 7,560.00
With Revised Type 7 (unreduced)	=	<b>\$10,800.00</b>

## C. Improved reduced early retirement pension

Under the OMERS basic plan, we reduce an early retirement pension by 5% for each year the member falls short of the closest of NRA, the 90/85 Factor or the 30 Year Provision.

Under a Revised Type 7 agreement, we offer two alternatives to the basic plan reduction formula. These are only available in conjunction with options A (unreduced pension at age 60) and/or B (80 Factor). Please read the examples that follow on pages 7 to 9.

### 1. Proximity to age 60

This is available only in conjunction with option A (unreduced pension from age 60). If an NRA 65 member is closer to age 60 than to the 90 Factor or 30 years of qualifying service, we will calculate the 5% reduction factor based on the member's "distance" from age 60. See the following example.

---

#### EXAMPLE – NRA 65

---

Pat is 58 years old with 20 years of credited service. He retires using the "proximity to age 60" Revised Type 7 benefit which, in his case, equals \$3,300.00 per year, indexed. This is the difference between his basic plan reduced pension and his Revised Type 7 improved reduced pension.

The employer's **estimated** cost for this Revised Type 7 benefit would be \$50,058.36 (cost in effect at time of printing, subject to change).

Here's how it works...	Pat's Age:	58
	Credited Service:	20
	Eligible Service:	<u>0</u>
	90 Factor Total:	78

Because Pat hasn't reached the 90 Factor and doesn't have 30 years of service, we would **normally** reduce his early retirement pension by the lesser of:

**NRA 65**                      – 58 = 7 X 5% = 35% reduction

or

90 Factor                      – 78 = 12 X 5% = 60% reduction (note: maximum is 50%)

or

30 Year Provision – 20 = 10 X 5% = 50% reduction

We would **normally** reduce Pat's early retirement pension by 35%.

However, using this Revised Type 7 benefit, Pat's reduction would be:

**Age 60**                      – 58 = 2 X 5% = 10% reduction

(continued)



Pat's pensionable earnings are \$33,000.00. His early retirement pension calculation prior to age 65 (the age at which we normally apply the OMERS CPP offset) would be:

Without Revised Type 7				With Revised Type 7		
2%	X	\$33,000	X	20:	\$13,200.00	\$13,200.00
reduced by 35%:				–	\$ 4,620.00	<b>reduced by 10%: – \$ 1,320.00</b>
Reduced pension:				\$	8,580.00	<b>Improved pension: \$11,880.00</b>

## 2. Proximity to an 80 Factor

This is available only in conjunction with option B (80 Factor). If a member is closer to an 80 Factor than to normal retirement age or to 30 years of qualifying service, we will calculate the 5% reduction factor based on the member's "distance" from an 80 Factor. See the following example.

### EXAMPLE – NRA 65

Woody is 57 years old with 22 years of credited service. He retires using the "proximity to an 80 Factor" Revised Type 7 benefit which, in his case, equals \$5,698.00 per year, indexed. This is the difference between his basic plan reduced pension and his Revised Type 7 improved reduced pension.

The employer's **estimated** cost for this Revised Type 7 benefit would be \$87,890.51 (cost in effect at time of printing, subject to change).

Here's how it works...	Woody's Age:	57
	Credited Service:	22
	Eligible Service:	0
	90 Factor Total:	79

Because Woody hasn't reached the 90 Factor and doesn't have 30 years of service, we would **normally** reduce his early retirement pension by the lesser of:

$$\text{NRA 65} \quad - \quad 57 = 8 \quad \times \quad 5\% = 40\% \text{ reduction}$$

or

$$90 \text{ Factor} \quad - \quad 79 = 11 \quad \times \quad 5\% = 55\% \text{ reduction (note: maximum is 50\%)}$$

or

$$30 \text{ Year Provision} - 22 = 8 \quad \times \quad 5\% = 40\% \text{ reduction}$$

We would **normally** reduce Woody's early retirement pension by 40%.

However, using this Revised Type 7 benefit, Woody's reduction would be:

$$80 \text{ Factor} \quad - \quad 79 = 1 \quad \times \quad 5\% = 5\% \text{ reduction}$$

(continued)

Woody's pensionable earnings are \$37,000.00. His early retirement pension calculation prior to age 65 (the age at which we normally apply the OMERS CPP offset) would be:

Without Revised Type 7				With Revised Type 7	
2%	X	\$37,000	X 22:	\$16,280.00	\$16,280.00
reduced by 40%:				– \$ 6,512.00	<b>reduced by 5%: – \$814.00</b>
Reduced pension:				\$ 9,768.00	<b>Improved pension: \$15,466.00</b>

## D. Early retirement within 15 years of NRA (NRA 65 only)

Under the OMERS basic plan, we can pay an early retirement pension to an NRA 65 member from age 55. Under the Revised Type 7 agreement, we can pay a reduced or unreduced early retirement pension to an NRA 65 member who is within 15 years of NRA, or **as early as age 50**, as shown below.

### EXAMPLE – NRA 65

Kim is 50 years old with 30 years of credited service. She retires using the “early retirement within 15 years of NRA” Revised Type 7 benefit which, in her case, pays her unreduced pension of \$18,000 per year, indexed, from age 50 to 55. When she reaches age 55, we begin to pay Kim's unreduced early retirement pension under the OMERS basic plan and the Revised Type 7 benefit is no longer necessary.

The employer's **estimated** cost for this Revised Type 7 benefit would be \$81,315.00 (cost in effect at time of printing, subject to change).

Here's how it works...	Kim's Age:	50
	Credited Service:	30

Kim's service qualifies her for the 30 Year Provision, but she would normally not be able to retire for another 5 years (age 55 – within 10 years of NRA 65). Using the “early retirement within 15 years of NRA” Revised Type 7 benefit, Kim's pension could begin immediately.

Kim's pensionable earnings are \$30,000.00. Her unreduced early retirement pension calculation prior to age 65 (the age at which we normally apply the OMERS CPP offset) would be:

$$2\% \times \$30,000 \times 30 = \$18,000.00$$

**Please note** that because NRA 65 members can retire under this Revised Type 7 benefit before they are within 10 years of their NRA, the reduction we apply to a reduced early retirement pension could be more than the 50% maximum under the OMERS basic plan. For example, if Kim had 15 years of credited service instead of 30 years, we would reduce her early retirement pension by 65%.







Please print.		
Name of Employer		
Group Number	Contact Name	Phone Number

☐ **A.** Unreduced Early Retirement Pension from Age 60

☐ **C.** Improved Reduced Early Retirement Pension  
(only available in conjunction with A and/or B)

☐ **B.** 80 Factor

☐ **D.** Early Retirement within 15 Years of NRA  
(NRA 65 only)

☐ Check here if you want a list of members who may qualify for the above. ☐ Check here if you require Revised Type 7 pension quotations and enter the names of specific members who are eligible below.

[illegible]

\_\_\_\_\_  
Signature of Authorized Signing Officer

\_\_\_\_\_  
Date

**Ontario Municipal Employees Retirement System**  
One University Avenue, Suite 1000, Toronto, Ontario M5J 2P1  
Tel: (416) 369-2400 • Toll-free: (800) 387-0813 • Fax: (416) 360-0217





# Request for a Revised Type 7 Supplementary Downsizing Agreement

Complete and return this form to the OMERS Benefits Department to request an agreement. For a pension estimate or listing of qualified/eligible members please submit the request for a qualifying list, cost and/or pension estimate.

## A. Employer Identification

Please print.

Name of Employer		
Group Number	Contact Name	Phone Number

## B. Revised Type 7 Coverage

Specify the class(es) of members to be covered and the start and end dates of the agreement period (not to exceed 1 year).  
Note: To be eligible, members must retire on or between the start and end dates specified.

Member Class	NRA	Agreement Period					
		Starts			Ends		
		<div>Y</div>	<div>Y</div>	<div>M</div>	<div>M</div>	<div>D</div>	<div>D</div>
		<div>Y</div>	<div>Y</div>	<div>M</div>	<div>M</div>	<div>D</div>	<div>D</div>
		<div>Y</div>	<div>Y</div>	<div>M</div>	<div>M</div>	<div>D</div>	<div>D</div>

## C. Revised Type 7 Early Retirement Options

Please check one, all or a combination of options. If you wish to have different options for each class of members, please provide details separately.

<input type="checkbox"/> <b>A.</b> Unreduced Early Retirement Pension from Age 60	<input type="checkbox"/> <b>C.</b> Improved Reduced Early Retirement Pension (only available in conjunction with A and/or B)
<input type="checkbox"/> <b>B.</b> 80 Factor	<input type="checkbox"/> <b>D.</b> Early Retirement within 15 Years of NRA (NRA 65 only)

See option descriptions in your *Employer's Guide to the Revised Type 7 Supplementary Downsizing Agreement*.

Signature of Authorized Signing Officer

Date

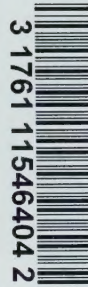
*Working together for your retirement*







**ONTARIO MUNICIPAL EMPLOYEES RETIREMENT SYSTEM**



**OMERS**

One University Avenue, Suite 1000, Toronto, Ontario M5J 2P1  
Tel: (416) 369-2400 • Toll-free: 1-800-387-0813

---

***Working together for your retirement***

RECYCLED PAPER/VEGETABLE INK